# AGRICULTURAL OUTLOOK

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Special Reprint:
1990 Farm Bill Passed

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# Agricultural Outlook

January 1991

Special Article

# 1990 Farm Bill Passed

The 1990 farm bill, budget reconciliation, and agricultural appropriations bills were passed in the final days of the 101st Congress. These three acts will shape U.S. agricultural and food programs over the next several years.

The Food, Agriculture, Conservation, and Trade Act of 1990 (S. 2830) provides a 5-year framework for agriculture and food programs. It amends the Agricultural Adjustment Act of 1938, the Agricultural Act of 1949, the Food Stamp Act of 1977, the Food Security Act of 1985, and other farm legislation. New programs in the 1990 farm bill target fruits and vegetables, marketing, rural development, forestry, grain quality, and organic labeling. In total, there are 25 titles.

The legislation continues the market-oriented approach to farm policy contained in the Food Security Act of 1985. It continues the marketing loans for cotton and rice without many changes and establishes a marketing loan for soybeans and minor oilseeds. The accompanying side-by-side comparison of the 1985 and the 1990 bills shows the major differences. The 1990 bill in the comparison also includes provisions from the Omnibus Budget Reconciliation Act of 1990 that affect agriculture.

The 1990 farm bill ties Acreage Reduction Program (ARP) requirements to a commodity's ending stocks-to-use ratio. Target prices are frozen at 1990 levels for the 5 years, eliminating their downward trend under the 1985 farm bill.

Loan rates are to be based on 85 percent of the 5-year market price (excluding the high and low years) rather than the present 75-85 percent. The Secretary has authority to impose additional reductions. But overall, loan rates under the 1990 farm legislation likely will be higher than if the loan rate formulas of the 1985 farm bill were continued.

The 1990 farm legislation establishes a floor under the dairy price support at its current level of $10.10 per hundredweight. The Secretary must provide options—excluding herd buyouts and price support reductions below the established floor—to limit further growth in dairy purchases.

The 1990 farm bill modifies the planting flexibility provisions of the Disaster Assistance Act of 1989 and the Budget Reconciliation Act of 1989. Under the new flexibility provision, participating producers may plant any crop, except fruits and vegetables, on up to 25 percent of their crop acreage base. If they choose to plant a crop other than their original program crop, they will be eligible for nonrecourse and marketing loans, but not deficiency payments. The flexibility option was amended by the budget reconciliation act.

For sugar, the new farm bill includes program provisions that annually guarantee U.S. buyers at least 1.25 million short tons (raw equivalent) of imported sugar. The new provision requires that marketing controls be imposed if USDA forecasts that the domestic supply of sugar would require imports of less than 1.25 million tons.

The new legislation provides for a price support program for 1991-1995 crops of sugarcane and sugarbeets through loans for raw cane and refined beet sugar at a minimum loan rate of 18 cents a pound for raw sugar, the same as the 1985 farm bill. Also, loan terms under the new program are for 9 months instead of 6. The beet sugar loan rate will be calculated on the basis of a 5-year relationship between producer returns for sugarbeets and sugarcane. USDA had been using a 10-year basis.

## *CRP and Export Programs Modified*

The legislation also modifies the Conservation Reserve Program (CRP) and numerous export programs. The CRP will now be part of a larger program, the Agricultural Resources Conservation Program (ARC). Also included in the ARC are a new Wetlands Reserve Program (WRP), a Water Quality Incentive Program, and an Environmental Easement Program. These are designed to protect highly erodible lands, wetlands, other environmentally sensitive lands, and improve water quality. The CRP and the WRP together make up the Environmental Conservation Acreage Reserve Program (ECARP).

The Food for Peace Program (P.L. 480) was changed to specify the responsibilities of USDA and the Agency for International Development. USDA will be responsible for Title I, the concessional sales program, while AID will be responsible for Titles II and III, the food aid programs funded through federal grants. It also prioritizes least-developed countries so P.L. 480 commodities will go to areas where assistance is most needed.

The Export Enhancement Program (EEP) will continue to counter unfair trade practices and to make U.S. agricultural commodities competitive. A goal of 25 percent of EEP funds to assist sales of high-value commodities was established.

And the Targeted Export Assistance Program's name was changed to the Market Promotion Program (MP). The MP now facilitates general export promotions; priority is to be given where unfair trade practices are cited. It is broader than the TEA.

## *Ag Spending Cut Over $13 Billion*

The Omnibus Budget Reconciliation Act of 1990 (H.R. 5835) amended the 1990 farm bill even before the bill became law. It reduces agricultural spending more than $13 billion from the projected cost of the 5-year farm bill of about $54 billion in several ways. Assessments will be imposed on sugar, honey, peanuts, wool and mohair, and tobacco. And a loan origination fee will be imposed on oilseeds, and milk producers could receive a reduction in price.

In addition, deficiency payments on 15 percent of base acres will be eliminated. However, those acres can be flexed (normal flex acres). Thus, a producer with a crop acreage base of 100 acres and a 10-percent ARP would now receive deficiency payments on a maximum of 75 acres.

This also affects acres eligible for payments under the 0/92 and 50/92 programs. Producers still have the option to flex another 10 percent of their crop acreage base, but will not receive deficiency payments on the flexed acres (called optional flex acres).

For 1991-93, wheat, feed grain, and rice deficiency payments will continue to be computed using the average market price for the first 5 months of the commodity's marketing years. But for 1994-95, payments for wheat and feed grains will be computed using the lesser of the average price for the entire marketing year or the 5-month price plus 10 cents for wheat or plus 7 cents for corn. Deficiency payments for rice will be calculated using the lesser of the calendar year price or a 5-month price plus an additional amount that is fair and reasonable in relation to wheat and feed grains.

Because winter wheat farmers had already planted their 1991 crop before the legislation passed, they have the option of not collecting deficiency payments on the new normal flex acres, or having their deficiency payments calculated using the lesser of the 12-month average price or the 5-month average price plus 10 cents, as opposed to the 1985 bill's 5-month average.

The reconciliation bill also requires the corn ARP for 1991 to be at least 7.5 percent of base acres. And it specifies minimum ARP's for the 1992-95 crops. However, these will depend on ending stocks and stocks relative to use.

The reconciliation act requires a marketing assessment on sugar for the 1991-95 crops. Processors of sugarcane and sugarbeets shall remit to the CCC a nonrefundable marketing assessment of 0.18 cents a pound for raw cane sugar and 0.193 cents a pound for refined beet sugar. Only initial processors are eligible to place sugar under loan with the CCC.

## *Budget Act Contains "GATT Trigger"*

The act also contains a "GATT Trigger" in the event an agreement on agricultural trade reform is not reached during the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). The trigger authorizes changes in domestic price and income supports, as well as export programs, if world agricultural trade is not liberalized.

The Secretary would have to offer $1 billion in additional export subsidies and adopt a marketing loan for wheat and feed grains, allowing producers to repay their loans at the world market price. In addition, the Secretary could waive the minimum ARP levels for any of the 1993-95 crops of wheat, feed grains, upland cotton, or rice.

But, this authority would be terminated if the President certified that an agreement was not reached because the "fast-track" authority was not available. Fast-track authority means Congress must accept or reject the negotiated treaty as a whole with no option to amend.

Also, if agricultural trade reform has not been implemented by the U.S. by June 30, 1993, the Secretary could waive all or part of the requirements of the reconciliation bill requiring reductions in agricultural spending.

Other agriculture budget savings provisions included in the budget reconciliation are: shifting a substantial portion of FmHA farm loans from direct to guaranteed loans; reducing Rural Electrification Administration electric and telephone loans by 25 percent; and imposing user fees for quarantine and inspection services provided to international passengers arriving on commercial aircraft or vessels.

Congress also passed an appropriations bill (H.R. 5268), providing $52.2 billion for agriculture and related agencies for fiscal 1991. The final bill preserves the crop insurance program for 1991 with full funding. Crop insurance was to be phased out in the House version.

This program allows USDA to continue offering farmers insurance policies against crop losses. USDA is to alter the program so that premiums paid by farmers are more in line with their risk of loss. These changes will raise premiums in certain regions and for certain crops, but not all areas/crops will experience an increase. The bill also caps the Export Enhancement Program at $425 million for fiscal 1991 and the new MP program at $175 million. *[Lori Lynch and Susan Pollack (202) 219-0689.]* AO

| PROVISIONS | 1985 FARM BILL (1986/87-1990/91 crop years) | 1990 FARM BILL (1991/92-1995/96 crop years) |
|---|---|---|
| **DAIRY (Title I)** | | |
| **Price Support** is provided through government purchases of butter, cheese, and nonfat dry milk. | Supports were reduced from $11.60 per cwt in 1985 to $11.10 in 1987. Beginning in 1988, support was raised by 50 cents per cwt per year if CCC purchases were less than 2.5 billion pounds annually. If CCC purchases were more than 5 billion pounds, support could have fallen 50 cents a year. | Sets a $10.10 per cwt minimum support price for milk containing 3.67% milkfat. If CCC purchases are projected to exceed 5 billion pounds, the Secretary may reduce support 25-50 cents per year but not below $10.10 per cwt; if below 3.5 billion pounds, may increase support by 25 cents; to take effect Jan. 1 each year. Reduces prices paid for dairy by 5 cents per cwt in 1991, and 11.25 cents for 1992-95. Producers who do not increase milk production from a year earlier will receive a refund of the reduction. |
| **Inventory Management** | Under the whole-herd buyout, program producers (on a bid basis) could have taken entire herds out of production for 5 years. USDA was required to offer this for 1986 and had the discretion to offer it for 1988-90. | The Secretary of Agriculture must recommend milk marketing adjustment programs. If purchases exceed 7 billion pounds milk equivalent, total milk solids basis, the Secretary shall reduce the price received by producers. |
| **WOOL and MOHAIR (Title II)** | | |
| **Price Support** loans are established in terms of pulled wool's value to shorn wool. Loans for mohair are set so that approximately the same percentage of parity is guaranteed as for shorn wool. | Continued the National Wool Act of 1954. Producer incentive payments were the difference between the incentive price (based on parity) and the price received by the producer. | Continues 1985 farm legislation. Establishes an assessment of 1% on incentive payments. |
| **Payment Limitations** | Payments were exempt from limitations. | Establishes payment limits a person may receive under this program at $200,000 for the 1991 marketing year, decreasing each year to $125,000 in 1994. The payment limit applies to wool and mohair as separate commodities. Wool and mohair payments do not count against payment limits for other commodities. |

## PROVISIONS | 1985 FARM BILL | 1990 FARM BILL

### WHEAT and FEED GRAINS (Titles III and IV)

**Price Support** is provided to program participants through direct purchases and nonrecourse loans on program crops.

**1985 Farm Bill:**

Basic (statutory) loan rates were set at 75-85% of a 5-year moving average of market prices, dropping the high and low years. However, an annual basic loan rate could not have been set lower than 95% of its year-earlier value.

Adjusted (Findley) loan rates could have been set as much as 20% below the basic loan rate at the Secretary's discretion.

**1990 Farm Bill:**

Sets loan rates at 85% of a 5-year moving average of market prices, excluding high and low years. The basic loan rate may not be less than 95% of the year-earlier value. For the adjusted rate, annual noncumulative discretionary reductions of up to 10% based on an ending stocks-to-use formula are allowed.

For wheat:

| Stocks/use | Adjustment |
|---|---|
| 30% or more | up to -10% |
| between 15-30% | up to -5% |
| less than 15% | 0% |

For corn:

| Stocks/use | Adjustment |
|---|---|
| 25% or more | up to -10% |
| between 12.5-25% | up to -5% |
| less than 12.5% | 0% |

Sets the minimum basic loan rate for wheat at $2.44 a bushel, for corn at $1.76, unless these exceed 80% of the 5-year average market price determination. The Secretary has the discretion to reduce loan rates by an additional 10%. Marketing loans are permitted at the Secretary's discretion.

**Income Support** is provided through deficiency payments that are made when average market prices fall below the target price.

**1985 Farm Bill:**

Minimum target prices were reduced for wheat from $4.38 per bushel in 1986 to $4.00 in 1990, and for corn from $3.03 to $2.75.

Deficiency payments were calculated by multiplying a payment rate times a program payment yield times the number of acres eligible for payments.

Program payment yields for 1986-90 were calculated as the average of farm program payment yields for the 1981-85 crop years, excluding the highest and lowest years.

**1990 Farm Bill:**

Minimum target prices are frozen for wheat at $4.00 per bushel, corn at $2.75, oats at $1.45, sorghum at $2.61, and barley at $2.36.

Barley deficiency payments will be based on the average market price for feed barley, instead of all barley.

For the 1991-93 crop years, deficiency payments will be based on 5-month average market prices. For 1994-95, they will be based on the lesser of the 12-month price or the 5-month price plus 10 cents for wheat (plus 7 cents for corn).

Payment yields for program crops will continue to be frozen.

**Acreage Reduction Programs (ARP's) and paid land diversions (PLD's)** restrict the acreage that participants can plant to any one program crop. Set-aside programs differ in that a certain portion of a farm's normal acreage is idled and any of a group of crops can be planted on the remaining acreage.

**1985 Farm Bill:**

PLD, set-aside programs, and unpaid ARP's were authorized.

An ARP was used for each major program crop each year that the programs were in effect. ARP's require program participants to reduce plantings by a specified portion of their planted acreage. ARP's also require participants to maintain their reduced acreage in conserving uses.

**1990 Farm Bill:**

ARP's and PLD's are authorized. ARP levels will be determined by the ratios of ending stocks to total use. The ARP for 1991 wheat is mandated at not less than 15%, and for 1991 corn at not less than 7.5%.

For wheat:

| Stocks/use | ARP |
|---|---|
| more than 40% | 10-20% |
| 40% or less | 0-15% |

| PROVISIONS | 1985 FARM BILL | 1990 FARM BILL |
|---|---|---|
| | | For corn:<br>Stocks/use — ARP<br>more than 25% — 10-20%<br>25% or less — 0-12.5%<br><br>ARP's can be set separately for each of the feed grains. A zero ARP for oats is mandated for all 5 years.<br><br>Authorizes a trial program in which producers in 15 counties in each of two states can meet ARP requirements by limiting marketings rather than idling acres. (Required for 1992 or 1993 crops.) |
| **0/92 Program** is an optional acreage diversion in which producers devote all or a portion of their permitted acres in excess of 8% of required acreage to conserving uses and can receive deficiency payments on a portion of these acres. | The maximum acreage for payment was the difference between the acreage planted to program crops and 92% of permitted acreage. Payment rate exceeded or equaled the projected deficiency payment rate. 0/92 payments on acres planted to approved nonprogram crops were subject to the Secretary's discretion. | Similar to 1985 farm legislation except 0/92 payment acreage will be limited to not more than 92% of permitted acreage minus normal flex acres. Planting of minor oilseeds will be allowed. Producers have the option of receiving deficiency payments or oilseed loans, but not both. Payment will be at least equal to the projected deficiency payment rate. |
| **Cross Compliance** requires that a farmer participating in a program for one crop must also meet the program provisions for other major program crops that the farmer grows. | The Secretary had the discretion to require cross compliance. | Cross compliance cannot be imposed. Producers cannot build base if they are eligible to receive deficiency payments for any crop on their farm. |
| **COTTON and RICE (Titles V and VI)** | | |
| Price Support | The basic loan rate for cotton was set at the lesser of 85% of the 5-year average spot market price, dropping high and low years, or 90% of the average adjusted price for a 15-week period of the 5 lowest-priced cotton growths quoted in Northern Europe.<br><br>For rice, the basic loan rate was set at 85% of the 5-year average producer price, dropping the high and low years. Rates could not have been reduced more than 5% from the year-earlier value. Set minimum loan rates of 50 cents per pound for cotton and $6.50 per cwt for rice. | Similar to 1985 farm legislation. Continues the minimum rates of 50 cents per pound for cotton and $6.50 per cwt for rice. |
| | Mandatory marketing loans allowed loan repayments at the lower of the prevailing world market price or the announced loan rate. | Marketing loans continue to be mandatory for cotton and rice. Producers can repay loans at the lower of the prevailing world price or the announced loan rate. |
| Income Support | Minimum target prices were reduced for cotton from 81 cents per pound in 1985 to 72.9 cents in 1990, and for rice, from $11.90 per cwt to $10.71. Deficiency payments were calculated using a 12-month average price for cotton, and a 5-month average for rice. | Target prices are frozen for five years at 72.9 cents per pound for cotton and $10.71 per cwt for rice.<br><br>Calculations of deficiency payments will remain the same for cotton. Payments will be calculated using a 5-month average price for rice for 1991-93 and a 12-month calendar year average price for 1994-95. |

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| PROVISIONS | 1985 FARM BILL | 1990 FARM BILL |
|---|---|---|
| Acreage Reduction Program | Maximum ARP for cotton was set at 25%; for rice at 35%.<br><br>The Secretary was encouraged to operate programs like a voluntary PLD to maintain ending stocks at 4 million bales for cotton and 30 million cwt for rice. | Maximum ARP for cotton is set at 25%; for rice at 35%. A zero ARP is permitted.<br><br>The Secretary is encouraged to operate an ARP and programs like a voluntary PLD to achieve an ending stocks/use ratio of 30% for cotton and 16.5-20% for rice.<br><br>For cotton, if the Secretary projects a carryover of more than 8 million bales, he must offer a PLD with a payment rate of not less than 35 cents per pound. |
| 50/92 Program is a voluntary program whereby cotton and rice producers plant at least 50% of a crop's permitted acreage and designate at least 8% in excess of required conserving use to conserving use (CU) | Deficiency payments were not received on 8% of CU acres. However, on the remaining CU acres, producers could receive deficiency payments. Production of alternative nonprogram crops was permitted at the discretion of the Secretary, but producers had to forego any 50/92 payments on those acres. | Is similar to 1985 farm legislation except the deficiency payment for 50/92 acreage cannot be less than the projected deficiency payment rate. Payment acreage is limited to not more than 92% of permitted acreage minus normal flex acres. |
| **OILSEEDS (Title VII)** | | |
| Price Support | For soybeans, the basic loan rate was set at $5.02 per bushel in 1986-87. For 1988-90, the loan rate equaled 75% of a 5-year moving average of farm prices, dropping the high and low years. The maximum drop from the previous year was 5% and $4.50 was the minimum loan rate. | For the first time, includes mandated support for minor oilseeds--sunflowers, canola, rapeseed, safflower, flaxseed, mustard seed, and others as determined by the Secretary. Establishes for soybeans a marketing loan rate of not less than $5.02 per bushel for 1991-95 and for minor oilseeds of not less than 8.9 cents per pound.<br><br>To cut administrative costs, loan deficiency payments (based on the difference between the loan rate and the world price) will be available to producers who agree not to place their crop under loan. There will be a 2% loan origination fee on oilseeds. |
| **PEANUTS (Title VIII)** | | |
| Price Support | Created a two-tiered system that included "quota" peanuts (primarily sold for domestic use) and "additional" peanuts (mostly sold for export). Quota peanuts were supported at $631.47 per short ton in 1990. Additional peanuts were supported at $149.75 per short ton. | Support for 1991-95 crops of quota peanuts will be based on the previous year's rate adjusted for production costs. But the annual increase is not to exceed 5%. The rate for additional peanuts will be established by the Secretary. Establishes an assessment fee of 1% of the loan rate. |
| Quota | A minimum quota was set at 1.1 million tons. Each year's quota was set equal to estimated domestic disappearance. | A minimum national quota will be set at 1.35 million tons. The quota appropriated to each state will be equal to the percent allocated for 1990. |

| PROVISIONS | 1985 FARM BILL | 1990 FARM BILL |
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| **SUGAR (Title IX)** | | |
| Price Support | Sugarcane prices were supported through nonrecourse loans at not less than 18 cents per pound for raw sugarcane. Sugarbeet loan rates were set in relation to sugarcane rates. The President was required to use all available authority to ensure that the program operated at no net cost to the government. Import quotas were the primary tool used. | The loan rate will remain the same as under 1985 farm legislation. The no-net-cost provisions will continue. Assessments of 1% of the loan rate will be placed on processed sugar. |
| Marketing Allotments | No provisions. | Mandatory domestic marketing controls for sugarcane and sugarbeets will be triggered if USDA projects that imports will fall below 1.25 million short tons. A 200,000-ton sugar-equivalent limit on marketings is set for crystalline fructose. |
| **HONEY (Title X)** | | |
| Price Support | The loan rate could have dropped 5% per year during 1988-90, but not have been less than 75% of a moving average market price, dropping the high and low years. The Secretary could have implemented a marketing loan. | The loan rate will be set at 53.8 cents per pound. The Secretary may implement a marketing loan. To cut administrative costs, loan deficiency payments (based on the difference between the loan rate and the world price) will be available to producers who agree not to place their crop under loan. Establishes an assessment fee of 1% of the loan rate on all honey extracted and marketed through handlers. |
| Payment Limitation | Budget Reconciliation Act of 1987 set a $250,000 maximum. | Payment limit will decrease from $200,000 in 1991 to $125,000 in 1994 and subsequent years. |
| **GENERAL PROVISIONS (Title XI)** | | |
| Acreage Base and Yield | Farm acreage base equaled the sum of crop acreage bases. Included soybean and conserving use acres in 1987-90. Crop acreage base equaled the average of acres planted and considered planted during the previous 5 years. For upland cotton and rice, base could not exceed average planted and considered planted during the previous 2 years. In addition, for cotton and rice, any years with zero plantings in 1981-83 did not count. The Secretary could allow offsetting adjustments of 10% in individual crop bases. | For wheat and feed grains, the crop acreage base will be determined in the same way as under 1985 farm legislation. For upland cotton and rice producers, base for 1991 crop (if the producer did not participate in the 1989 or 1990 program) and 1992 (if did not participate in the 1990 or 1991 programs) will equal the average of acres planted and considered planted during the previous 5 years, excluding years in which no cotton or rice was planted, but not less than the average of the previous 2 years. Otherwise, for upland cotton and rice, bases will be set using the previous 3-year average of planted and considered planted acreage. |
| | Farm program payment yields for 1986-87 equaled the average of farm program yields during 1981-85, excluding high and low years. The Secretary could have frozen payment yields for 1988-90 or based yields on a 5-year moving average. | Payment yields are frozen at 1990 payment levels. |

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| PROVISIONS | 1985 FARM BILL | 1990 FARM BILL |
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| Planting Flexibility | For 1990, soybeans, sunflowers, or safflowers could have been planted on up to 25% of permitted program crop acreage without the loss of program base acres. Also, approved nonprogram crops could have been planted on up to 20% of permitted program crop acreage without the loss of base if: (1) at least 50% of permitted acreage was planted to the program crop for harvest, and (2) deficiency payments were not received on permitted acres that were maintained in conserving use (i.e., 0/92 and 50/92 acres). Oats could have been substituted for other program crops without loss of crop acreage base history. | Under the flexibility option, crop acreage base is divided into three categories: ARP, permitted acreage (on which program crop is planted and deficiency payments may be paid), and flexible acreage. For 1990 farm bill, producers can plant up to 25% of crop acreage base to any commodity, except fruits and vegetables, on flexible acres. If an alternative crop is planted on this acreage, it will be eligible for nonrecourse and marketing loans but not deficiency payments.<br><br>A producer will not receive deficiency payments on ARP acres nor on 15 percent of crop base, regardless of the crop planted. If a farmer plants another crop on up to an additional 10 percent of base, the farmer will not receive deficiency payments on those acres, but will preserve base history. |
| Payment Limitations | Set at $50,000 per person limit for deficiency and diversion payments; a $100,000 limit for disaster assistance; and a total limit of $250,000 for annual program payments, resource adjustments, disaster payments under annual programs, any gain realized from repaying a loan for a crop at less than the original loan level, and emergency compensation payments (Findley). Established a separate $50,000 limit for payments under the Conservation Reserve Program. | Sets a $50,000 per person limit for deficiency and diversion payments; $75,000 for marketing loan gains, loan deficiency, and Findley payments; and an overall limit of $250,000. With the 3-entity rule still applicable, certain individuals could receive as much as $250,000 in total payments. Conservation Reserve Program, wool and mohair, and honey program payments have separate limits. |
| Advance Deficiency and Diversion Payments | Payments could have been in cash or in-kind. No more than 50% of an advance payment could have been made in-kind. The advance could not exceed 50% of the estimated total payment. | Will be the same as under 1985 farm legislation. Special repayment provision for 1988-89 overpayments will be established for those affected by natural disasters and who must refund at least $1,500. |
| Farmer-owned Reserve (FOR) | If the wheat FOR were less than 300 million bushels, the feed grain FOR were less than 450 million bushels, and farm prices were less than 140% of the loan rate, the Secretary must have offered incentives to encourage placements into the FOR. The wheat FOR could not have exceeded 30% of total wheat use. The feed grain FOR could not have exceeded 15% of total use. | The Secretary will have authority to allow entry into FOR only if (1) the projected wheat ending stocks/use ratio exceeds 37%, or for corn's exceeds 22.5%; or (2) the market price for wheat or corn is less than 120% of the loan rate. If both conditions are met, Secretary must permit entry into FOR. Storage subsidies will stop when prices are 95 percent of target. Interest payments may be levied when prices reach 105% of target. |
| **STATE and PRIVATE FORESTRY (Title XII)** | No provisions. | Will expand USDA's authority to provide cost/share assistance to states, establish programs to protect and improve forest lands, encourage urban forestry activities, and create a foundation to promote tree planting. |
| **FRUIT, VEGETABLE and MARKETING (Title XIII)** | No provisions. | Grade standards will be evaluated for their effects on pesticide use. A fee-supported National Accreditation Program will accredit labs for residue testing. A 2-year pilot program to label products by country of origin will be required. Specific imported commodities will have to comply with domestic marketing order regulations. |

| PROVISIONS | 1985 FARM BILL | 1990 FARM BILL |
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| **CONSERVATION (Title XIV)** | | |
| **Sodbuster provisions** protect highly erodible land by denying program benefits to producers not using conservation practices. | Required producers to place highly erodible land under approved conservation plans as a condition for receiving program benefits. Failure to comply meant the loss of eligibility for programs benefits. | The list of program benefits lost for sodbuster violations will be expanded.<br><br>Graduated sanctions of $500-$5,000 will be possible for inadvertent violations of a compliance plan or planting without a plan if no more than one violation has occurred in the last 5 years. |
| **Swampbuster** provisions promote wetland conservation. | Wetland conservation provisions denied program benefits to anyone who planted an agricultural commodity on wetlands converted after December 25, 1985.<br><br>Violations occurred when the crop was actually planted on a converted wetland. | The list of program benefits lost for swampbuster violations will be expanded. Violation will occur when wetland is drained. On-site reviews will be required before imposing penalties.<br><br>Graduated sanctions of $750-$10,000 will be possible for inadvertently drained wetlands if a producer agrees to restore the wetland and has not violated the prohibition on draining wetlands in the previous 10 years. Producers will be exempt from loss of farm-program benefits if the drainage has a minimal effect or the producer has restored another wetland to its natural state. |
| Pesticide recordkeeping | No provisions. | Pesticide applicators and farmers will have to maintain records on the use of restricted-use pesticides. They will have to keep the records for 2 years, and make them available to government agencies dealing with pesticides. |
| **Agricultural Resources Conservation Program (ARC); Conservation Reserve Program (CRP)** | Established a reserve of up to 45 million acres of highly erodible land. Under the CRP, USDA paid rent to landowners and farm operators for taking highly erodible land out of production for 10 years. Producers submitted bids to enroll land and received annual rental payments. | A new program, the ARC, will be formed which contains the existing CRP, a new Wetlands Reserve Program (WRP), a new Water Quality Incentives Program (WQIP), and a new Environmental Easement Program. The newly established Environmental Conservation Acreage Reserve Program (ECARP) includes both the CRP and WRP.<br><br>ECARP enrollment will be set at not less than 40 million acres or more than 45 million acres by 1995. Environmentally sensitive lands, shelterbelts, windbreaks, and marginal pasture land on which trees have been planted will all be eligible.<br><br>Under the voluntary WRP, producers will be able to enroll up to 1 million acres of wetlands into paid easements of 30 years or longer. Priority will be given to enrolling wetlands that enhance wildlife habitat.<br><br>Under the WQIP, producers can enroll up to 10 million acres. Farmers who work with USDA to develop and implement plans to reduce water pollution can receive incentive payments of $3,500 a year and up to $1,500 in cost sharing. Producers who improve wildlife habitat may receive up to $1,500 more in cost sharing. |

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| PROVISIONS | 1985 FARM BILL | 1990 FARM BILL |
|---|---|---|
| | | The Environmental Easement Program will ensure long-term protection of environmentally sensitive lands through easement agreements. The program will share up to 100% of the costs to carry out conservation measures. |
| Integrated Farm Management Program (IFMP) | No provisions. | This program is designed to assist producers in adopting resource-conserving crop rotations by protecting participants' base acreage, payment yields, and program payments. The program has an established goal of enrolling 3 to 5 million acres over a 5-year period. |
| **AGRICULTURAL TRADE (Title XV)** | | |
| P.L. 480 provides overseas commodity assistance through concessional sales and donations of food to developing countries. Also aims to expand longer term commercial demand for U.S. agricultural products. | Title I included concessional sales tied to self-help economic development conditions in recipient countries. Title II was a food donation program. Title II donations were distributed through private voluntary organizations, the World Food Program, and recipient governments. Title III allowed forgiveness of Title I debt. | Title I includes government-to-government concessional sales and contains shorter maximum repayment terms. Title I offers debt relief and will be implemented by USDA. Title II includes emergency and private assistance donations and increases the minimum tonnage requirements by 25,000 metric tons per year. Title II will be implemented by the Agency for International Development (AID).<br><br>Will give the President the authority to reduce P.L. 480 Title I debt repayment.<br><br>A new Title III Food for Development program is created. Title III includes government-to-government grants for least developed countries and will be implemented by AID.<br><br>Food for Progress and Farmer-to-Farmer programs are reauthorized.<br><br>Establishes the Enterprise for the Americas Facility within the Treasury Department to improve Latin American and Caribbean economies and environments. |
| Cargo Preference requires exports of government-owned commodities or products shipped under government-financed arrangements to be carried on U.S.-flag vessels. | Did not apply to any commercial export activities of the Secretary or CCC including exports under blended credit, short-term export credit sales, or barter agreements. Did not apply to P.L. 416 and 480 concessional sales which instead required 75% of their total shipments to be carried on U.S. flag vessels. | Creates a new category of American Great Lakes vessels that will be exempt from certain restrictions provided they operate only on the Great Lakes during the Great Lakes shipping season. Requires the CCC to make port allocations, based on lowest landed cost, for 50% of bagged, processed, or fortified commodities shipped under P.L. 480's Title II. |
| Export Programs | Authorized GSM-103 which included intermediate credit (3-10 years) for sale of CCC and private stocks to develop, expand, and maintain foreign markets for long-term commercial sale of agricultural products. Authorized GSM-102 which included short term export credit guarantees to expand commercial exports with deferred payment up to 36 months. | The CCC will guarantee only U.S. agricultural commodities under GSM-102 and GSM-103 programs. The CCC will make at least $5 billion annually available for GSM-102 guarantees and at least $500 million annually for GSM-103. |

Special Article

| PROVISIONS | 1985 FARM BILL | 1990 FARM BILL |
|---|---|---|
| | The Targeted Export Assistance Program was established to offset adverse effects on producers of unfair trade practices. | Renames the Targeted Export Assistance Program the Market Promotion Program. Will expand new program to facilitate general export promotion activities on a cost-share basis. Gives priority to markets where unfair trade practices are cited. For fiscal 1991, maximum funding is set at $175 million. |
| | The Export Enhancement Program was established to expand exports and offset unfair trading practices of other nations by effectively lowering export prices through release of CCC-owned stocks to U.S. exporters who had verified export sales. | For fiscal 1991, the maximum funding for the Export Enhancement Program is set at $425 million. Encourages the Secretary to establish an objective of 25% of EEP funds for export of high-value commodities. |
| **RESEARCH (Title XVI)** | | |
| Existing Programs | Competitive research grants were authorized at $70 million per year for 1986-90. | Reauthorizes grant programs for five years and increases authorization for competitive research grants from $70 million to $500 million by 1995. |
| Sustainable Agriculture | No provisions. | Authorizes $400 million over 5 years for research into reducing the use of agricultural chemicals, training extension agents, preparing new technical guides, and setting up a federal-state matching grant program. |
| Agricultural Research Commercialization Center | No provisions. | An Applied Agricultural Research Commercialization Center will be established to assist research, development, and commercialization of new nonfood products from agricultural commodities through grants, loans, and interest subsidy payments. |
| Water Quality, Agricultural Weather, Environmental Quality, Food Safety, and Global Change Research | No provisions. | Water quality research and education programs are created. Establishes the Office of Agricultural Weather within USDA. The Office of Environmental Quality will be created to evaluate the effects of agriculture programs on the environment. A grant program will be established for research on food safety topics. Will evaluate the effect of global climate change on agriculture and forestry. |
| **FOOD STAMPS and RELATED (Title XVII)** | Food Stamp program aided qualified low-income households with food purchases. To be eligible for food stamps, an individual could have no more than $2,000 in assets. Pilot electronic benefit transfer projects were conducted. Homeless could use food stamps in soup kitchens and restaurants. | Reauthorizes the Food Stamp program for 5 years with simplified rules. Additional penalties for fraud and misuse of food coupons will be imposed. Electronic benefit transfer (EBT) program is encouraged. Authority to use food stamps in soup kitchens and restaurants is extended permanently. |
| Commodity Distribution Programs include programs like the Commodity Supplemental Food Programs (CSFP). | Commodity distribution programs gave surplus government-owned food to needy individuals, charitable institutions, American Indians, and the elderly. | Reauthorizes CSFP and other programs. |
| Temporary Emergency Food Assistance Program (TEFAP) | TEFAP continued. | The Emergency Food Assistance Program (TEFAP) is reauthorized and is no longer temporary. Purchase "requirements" have changed to purchase "authorizations." |

## Special Article

| PROVISIONS | 1985 FARM BILL | 1990 FARM BILL |
|---|---|---|
| **CREDIT (Title XVIII)** | | |
| **Farmers Home Administration (FmHA)** is also known as the farm lender of last resort. | The Secretary could make or guarantee real estate loans, operating loans, and emergency loans to individuals whose primary business is farming and ranching. The loans were targeted to family-sized farmers who were unable to obtain sufficient credit elsewhere on reasonable terms. | The amount of time FmHA may hold farm property in inventory before offering it for sale is shortened from 3 years to 1. Beginning farmers will be extended the right of first refusal and are included among those receiving sale preference. Lease-back/buy-back privileges will be eliminated on acquired nonfarm properties. |
| | Real estate loans were not to exceed $300,000; direct loans $200,000; operating loans, $400,000 for guaranteed loans or, $200,000 for direct loans; and emergency loans were not to exceed $500,000. | Lifetime cap of $300,000 will be imposed on write-downs and write-offs. Borrowers will be limited to a single write-down on loans made after Jan. 6, 1988. |
| | Interest rates for credit program loans were subsidized. | The interest rate subsidy will be increased on certain guaranteed loans to 4%. Direct loan funds will be gradually shifted to guaranteed loans over the next 5 years. |
| **Farm Credit System (FCS)** is a combination of cooperatively owned financial institutions that finance farm and farm-related mortgages and operating loans. FCS institutions specialize in making farmland loans and operating credit, or loans to farmer-owned supply, marketing, and processing cooperatives. They rely on the bond market as their source of funds. | The Farm Credit Act of 1987 provided for financial assistance for financially vulnerable FCS institutions, protected existing borrower stock, provided federal matching funds for state farm loan mediation programs, and established a secondary market for farm real estate loans--Farmer Mac. | FCS will be allowed to extend credit to farmers who use any portion of their on-farm production in processing or marketing an agricultural product. This type of loan will be limited to 15% of a district bank's outstanding loans.<br><br>Farmer Mac will be allowed to pool FmHA-guaranteed loans. |
| **AGRICULTURAL PROMOTIONS (Title XIX)** | Established assessment-funded research and promotion programs for beef, pork, and watermelons. | Assessment-funded research and promotion programs are authorized for soybeans, pecans, mushrooms, and limes. Producer refunds will be eliminated for cotton and potato orders. Assessments will be extended to imports (except soybeans). A generic fluid milk promotion will be funded by processors if a referendum is approved. |
| **GRAIN QUALITY (Title XX)** | Official standards and grades for grain quality existed, but the 1985 farm bill did not establish them. | Quality standards must be incorporated into grain standards. Will require testing corn for aflatoxin contamination before exporting. |
| **ORGANIC FOOD STANDARDS (Title XXI)** | No provisions. | Establishes national standards for organic foods. USDA will have to set regulations for production, materials, handling, and testing of products labelled organic. |
| **CROP INSURANCE And DISASTER ASSISTANCE (Title XXII)** | Federally subsidized crop insurance was authorized for most crops that were grown commercially in a particular region. Currently, crop insurance is available for a wide variety of crops, but is not always available in each locality a crop is grown. | Will make changes to improve actuarial soundness of existing crop insurance program, including providing for premium rate increases of up to 20% per year and opportunities for developing innovative policy coverage, such as insurance based on area losses. |

| PROVISIONS | 1985 FARM BILL | 1990 FARM BILL |
|---|---|---|
| | If federal crop insurance was not available to program crop producers under the Federal Crop Insurance Act, disaster assistance payments were mandated for prevented plantings and reduced yields. The Secretary could also make these payments available to producers who purchased insurance if losses created an economic emergency, additional economic assistance was needed to alleviate the economic emergency, and federal crop insurance payments and other federal assistance were insufficient to relieve the emergency.<br><br>The Secretary could have provided livestock producers assistance if natural disaster affected feed supplies.<br><br>Disaster Assistance Acts of 1988 and 1989 contained separate laws to provide assistance to producers affected by natural disaster for 1988-89 crops. | Will continue prevented planting and reduced yield disaster payments if crop insurance is not available. |
| **RURAL DEVELOPMENT (Title XXIII)**<br><br>The Secretary of Agriculture is responsible for coordinating most rural development programs. | No provisions. | A new Rural Development Agency (RDA) will be set up within 6 months of enactment. FmHA's divisions that handle water, sewer, other community facilities, and business and industrial loan or grant programs will be moved under the new RDA. Other rural development activities will move under the RDA at the Secretary's discretion. |
| Pilot Programs | No provisions. | Five-year pilot state panels will set priorities for funding applications. Pilot revolving funds will be set up by states with private lender participation. |
| Telecommunications | No provisions. | Rural schools, hospitals, and clinics will be linked to urban institutes to receive state-of-the-art instruction by TV. |
| Water/Waste Funding | No provisions. | Authorizes the Farm Credit System Banks for Cooperatives and Rural Electric Cooperatives to finance rural water and sewer loans. Authorizes Rural Electric Cooperatives to make rural business development loans on a deferred-payment basis. Funding caps for loans will be removed. |
| **GLOBAL CLIMATE CHANGE (Title XXIV)** | No provisions. | Establishes a program to assess the effects of global climate change on agriculture and forestry. Directs the Forest Service to establish an office to coordinate its international forestry activities and will establish research institutes to promote tropical forest protection. |
| **OTHER RELATED PROVISIONS (Title XXV)** | No provisions. | Directs USDA to provide outreach and technical assistance to encourage and assist socially disadvantaged farmers and ranchers to own and operate farms and ranches and participate in agricultural programs. Operating funds of FmHA will be targeted for them.<br><br>Also includes pet protection to prevent theft; pseudorabies eradication study; collection of fees for inspection services; crop related reports; and study of transportation of fertilizers and agricultural chemicals to farmers. |

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